11 digital trends in the insurance industry

By Kevin Wright

16 Apr 2021

Most all players in the insurance sector are digitising - some more seamlessly than others. This phygital (meeting of the physical and digital worlds) trend is becoming omnipotent, with a blend of automation and human expertise now the norm. It is expected that in the next five years, a major innovation will occur in the way products are digitally distributed, including in the underwriting and tracking process.

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Thanks to Covid-19, we have also seen a shift in client expectations. There isn't really a workday in the digital world. People expect 24/7 availability, so we have seen our broker partners working longer hours. There also has been an added increase in people requesting quotes, probably driven by the desire to cut costs. This has meant that those with a digitally-enabled quote functionality had a decided advantage.

Business has moved from being complicated to being complex. A complicated world is characterised by patterns that repeat, problems that can be resolved through mathematics and design, and where automation and efficiency drive management thinking. In a complex world, there are patterns, but they don't repeat, problems can't be predicted and robustness, not efficiency is most required.

Insurance cannot respond to growing risk in a complex world by offering the same products. A shift is required to loss prevention and management, to ecosystems of value and to the generation of new revenue streams across the full risk value chain. Digtisation is a key enabler of these ecosystems.

Here are some of the digital trends we have seen – and expect to continue seeing – over the past year – particularly ramped up by the Covid-19 crisis:

1. The claims process

The biggest digital transaction in this space is people tracking the progress of their claim. They want to be able to do so on a self-service basis. Clients are seeking smooth administration processes.

2. New business

Being able to quote for new business online has become the norm. There's tremendous pressure to keep pace with customer expectations or lose prospective clients.

3. **Farewell to legacy systems**

   Most service providers and brokers are starting to migrate their historical mainframe 'backends' to modern tech systems, which can expose the insurer to application programming Interfaces, and give real time data, with 24/7 capabilities. The take-away? A tech-enabled, automated backend means more digital capacity on the frontend.

4. **Robotic automation process (RPA)**

   This is still very much front and centre as everyone tries to integrate artificial intelligence software and harvest – and use – the data they have.

5. **Chat versus voice**

   We're seeing the growth of chat capability – e.g., WhatsApp – especially in the direct space. However, South Africans still gravitate to picking up the phone and calling, particularly when things go wrong.

6. **Clients are interacting with insurers directly**

   This has been a noticeable shift in recent times. Many clients are starting to contact insurers directly – especially for small things. They tend to get their brokers involved for the more complex claims and queries. The move towards digital channels, offers opportunities for a seamless, end-to-end customer experience.

7. **We'll mimic other markets, but with a South African spin**

   Insurance is similar across the world, but different markets are at varying levels of digital maturity. South Africa is lagging in our digital maturity, which means we can watch other markets to anticipate the trends coming our way. The big changes? Products will become digitally distributed. The claims process is completely automated, with no human involvement at all.

8. **Product innovation**

   We're likely to see increased product innovation around telematics offerings for those who work more from home; this may include cyber and internet of things (IoT) insurance. Partnerships with insurtech providers, online platforms and mobile network operators will be key to meet the rising demand for digital solutions. Underinsurance remains a significant challenge. There's an opportunity to design easily understandable solutions for both individuals and SME target markets.

9. **The rise of affiliated distribution channels**

   We'll rely more on alternative distribution channels with digital associations to reach niche clusters – like church groups or sports clubs. We're likely to see the most innovation in smaller value items that are frequently sold via these channels. Wider distribution via digital channels should catalyse increased access, narrowing the risk protection gap.

10. **Tracking, tracking, tracking**

    We've been tracking driver behaviour for years. Why not track other assets? It's easy to put a tracking device on an expensive bike, a TV and other things. Given the rise of the IoT, we'll see an increase in tracking, which will inevitably influence underwriting and ultimately, the premiums people pay.

11. **Combatting climate change**

    Climate change risks are increasingly recognised as one of the key issues that economies and communities face. In the same light, the announcement by government to invest in more renewable energy offers opportunities for growth and green insurance products. Going forward, insurers may work with the regulator to further develop parametric products that target climate change-related perils e.g., floods and drought.

The biggest industry trends will be in the product distribution space especially with the phygital approach remaining a top trend in the insurance sector, as consumers seek digital experiences and self-service, on-demand options, including valuable human contact with service providers. We are also likely to see more demand for pay-as-you-go insurance services, including new, innovative risk management products that provide niche cover for things such as cyber threats.

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